

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 91-041-W/S - ORDER NO. 92-114 ✓
FEBRUARY 27, 1992

IN RE: Application of CUC, Inc.) ORDER APPROVING
for an Increase in Water and) RATES AND CHARGES
Sewer Rates and Charges.)

This matter comes before the Public Service Commission of South Carolina (the Commission) by way of an Application filed by CUC, Inc. for approval of a new schedule of rates and charges for water and sewer customers on Callawassie Island, which is located in Beaufort County, South Carolina. The Company's Application was filed pursuant to S.C. Code Ann. §58-5-240 (1976, as amended) and R.103-821 of the Commission's Rules of Practice and Procedure.

By letter, the Commission's Executive Director instructed the Company to publish a prepared Notice of Filing one time in a newspaper of general circulation in the areas affected by the Company's Application. The Notice of Filing indicated the nature of the Company's Application and advised all interested parties desiring participation in the scheduled proceeding of the manner and time in which to file the appropriate pleadings. The Company was likewise required to notify directly all customers affected by the proposed rates and charges. A Petition to Intervene was filed on behalf of Steven W. Hamm, the Consumer Advocate for the State of South Carolina (the Consumer Advocate). Several protests

were also received.

The Commission Staff made on-site investigations of the Company's facilities, audited the Company's books and records and gathered other detailed information concerning the Company's operations. The other parties likewise conducted their discovery.

A public hearing relative to the matters asserted in the Company's Application was held on January 16, 1992 at 10:30 A.M. in the Hearing Room of the Commission at 111 Doctor's Circle, Columbia, South Carolina. Pursuant to Section 58-3-95 of the South Carolina Code, a panel of three Commissioners composed of Commissioners Frazier, Yonce and Mitchell were designated to hear and rule on this matter. Chairman Amos-Frazier presided. Steven Mikell, Esquire, represented the Company; Carl F. McIntosh, Esquire, represented the Consumer Advocate; and F. David Butler, Esquire, represented the Commission Staff.

The Company presented the testimony of Billy F. Burnett, President of CUC, Inc. to explain the services being provided by the Company, the financial statements and accounting adjustments submitted, the reasons for the requested rates, and the cost of capital requirements. The Consumer Advocate presented the testimony of Philip E. Miller of Riverbend Consulting, who analyzed the Company's Application and revenue requirements. The Commission Staff presented the testimony of Lynn U. Ballentine, Accountant, and Charles Creech, Chief of the Water and Wastewater Department, Utilities Division.

FINDINGS OF FACT AND CONCLUSIONS OF LAW:

1. CUC, Inc. is a corporation organized in the State of South Carolina, which falls under the jurisdiction of the Commission. CUC, Inc. is a water and sewer utility operating in the State of South Carolina and is subject to the jurisdiction of the Commission, pursuant to S.C. Code Ann. §58-5-10 (1976) et. seq. Application of the Company.

2. CUC, Inc. provides water service to 144 customers on Callawassie Island, South Carolina and sewage service to 112 customers on Callawassie Island, South Carolina. With availability customers, there are a total of 397 customers. The Company's home office is located in Florence, South Carolina at 2109 Timberlane Drive.

3. The Company has previously appeared before the Commission in Docket No. 84-424-W/S, in which an Application for establishment of water and sewer rates and charges was heard. In Order No. 85-596, dated July 15, 1985, the Commission found the Company to be fit, willing, and able to provide water and sewer service and approved a schedule of rates and charges for the Company. The Company is currently seeking its first rate increase since such establishment.

4. In its present Application, the Company requested additional revenues of \$56,859, which Staff verified by calculation. The rate of return after accounting and pro forma adjustments was computed by the Staff to be (64.07%). This rate increases to (19.95%) after the proposed increase of \$56,859. The

operating margin after accounting for the proposed increase is (30.68%).

5. At present, with regard to water, CUC, Inc. charges a monthly rate of \$13.50 as a minimum basic facility charge for 0 to 2,500 gallons and a \$1.00 per 1,000 gallon commodity charge for all water over 2,500 gallons for residential customers. A similar charge is applied for landscape irrigation. For commercial water service, the Company presently charges \$13.50 monthly for 3/4-inch meters, \$20.00 per month for 1-inch and 1½-inch meters, and \$30.00 per month for 2-inch meters. For all water over 2,500 gallons, the Company charges a \$1.00 commodity charge per 1,000 gallons. Water tap-in fees are presently \$525.00 for 3/4-inch meter and \$700.00 for a 1-inch meter.

6. With regard to sewer charges, the Company charges a flat monthly charge of \$13.50 per month or 100% of the water bill, whichever is greater for both domestic and commercial sewer. With regard to sewer tap-in fees, the Company presently charges \$625.00 for 3/4-inch meters, \$700.00 for 1-inch meters, \$800.00 for 1¼-inch meters, \$900.00 for 1½-inch meters, and \$1,000.00 for 2-inch meters.

7. With regard to proposed charges, the Company proposes to charge \$18.50 as a basic facilities charge for water up to 2,500 gallons and \$3.10 per 1,000 gallons for all water over 2,500 gallons as a commodity charge for both domestic and water and landscape irrigation. With regard to commercial water service, the Company proposes to increase its charge for 3/4-inch meters to

\$18.50 per month, for 1-inch meters to \$22.00 per month, for 1½-inch meters to \$25.00 per month, and to \$30.00 per month for 2-inch meters. The Company also proposes to increase its commodity charge to \$3.10 per 1,000 gallons for all water over 2,500 gallons. With regard to water tap-in fees, the Company proposes to increase its charge for a ¾-inch meter from \$525.00 to \$575.00, and its charge for a 1-inch meter from \$700 to \$750.00. With regard to domestic and commercial sewer, the Company proposes to increase its monthly rate for both domestic and commercial sewer to \$18.50 per month or 100% of the water bill, whichever is greater. The Company also proposes to increase its sewer tap-in fees to \$700.00 for ¾-inch meters, \$775.00 for 1-inch meters, \$875.00 for 1¼-inch meters, \$975.00 for 1½-inch meters, and \$1,075 for 2-inch water meters.

8. The percentage of increases, if granted, would amount to 103.33% in water revenue, 86.78% in sewer revenue, for a combined percentage of 96.39% in total revenue.

9. The Company proposes the appropriate test period to consider its requested increase as a twelve-month period ending December 31, 1990. No objections were registered to the use of this twelve-month period.

10. The Company asserts that this requested rate increase is required because the Company showed a negative operating margin of (155.83%) for the test year.

11. The Commission holds that a \$38,616 (65.07%) increase in operating revenues is appropriate. In arriving at this figure, the

Staff and Company proposed a number of adjustments to the Company's expenses.

ACCOUNTING AND PRO FORMA ADJUSTMENTS

The evidence supporting these adjustments is found in the testimony and exhibits of Company witness Burnette, the Consumer Advocate witness Miller, and Commission Staff witnesses Ballentine and Creech. The adjustments as listed in this Order are for combined water and sewer operations.

First, the Staff proposes to adjust per book revenue based on billing units and consumption. The effect of this adjustment results in the service revenue shown in the Company's revised Application. The Staff believes that a \$239 adjustment to operating revenue is appropriate. The Commission agrees with this adjustment, since it appears to be reasonable. The Staff proposes to reduce electric power expense based on an analysis of billings. The Company installed an electronic timer which automatically controls the blowers on the sewer system, making the operation more efficient. The Staff proposes an adjustment of (\$1,458). Based on estimates, the Company made an adjustment of \$1,003. Since the Company's adjustment was based on estimates only, the Commission adopts the Staff's adjustment. Both the Staff and the Company proposed to increase purchased water expense. This increase is due to a more accurate meter that was installed by Beaufort-Jasper Water and Sewer Authority. Since a new meter was installed in July of 1991, the consumption was increased due to the more accurate meter. The Staff proposes an adjustment of \$4,750, whereas the

Company proposes an adjustment of \$6,086. The Commission adopts Staff's adjustment.

Both the Staff and the Company propose to increase laboratory expense. The Company was required to install eleven observation wells on the golf course where the sewer effluent is sprayed. These wells must be tested quarterly for ground water contamination. Currently, all eleven wells are on-line and must be tested. During the test year, only seven wells were on line. The Staff proposes an adjustment of \$782 whereas the Company proposes an adjustment of \$1,981. The Commission believes that the Staff's adjustment is more accurate and it is therefore adopted.

The Staff proposes to increase other taxes, due to an error in calculating the South Carolina license fee. The Staff will make an adjustment for the additional license fees that were paid for the test year during 1991. The Company's adjustment includes interest expense and taxes from prior years. The Staff proposes an adjustment of \$520 and the Company proposes an adjustment of \$1,828. In addition, the Staff proposes to reduce property tax expense by \$1,830 due to excess capacity for a total adjustment of (\$1,310). (See excess capacity discussion infra.) The Commission adopts Staff's adjustments.

The Staff and the Company propose to make an adjustment to increase transportation expense. The Staff bases its adjustment on an eight-month analysis of 1991 invoices for gasoline charges. Therefore, the Staff's adjustment of \$1,142 is adopted instead of the Company's proposed adjustment of \$926. The Company proposes to

increase professional fees based on their estimate of expenses relating to this rate increase and request. The Staff has included only expenses that were known and measurable at the time of Staff's audit. Additionally, Staff has amortized these expenses over three years. Staff proposes an adjustment of \$48 whereas the Company proposes an adjustment of \$3,500. Staff's adjustment is adopted since it is based on past Commission policy. Both the Staff and the Company proposed to increase postage expense based on the postal rate increase that went into effect in 1991. The Staff's adjustment is based on an analysis of the number of customer bills mailed. The Staff proposes an adjustment of \$116 versus the Company's \$341. Staff's adjustment is adopted. Both the Staff and the Company propose to adjust insurance expense. The Staff's increase is based on 1991 policy renewal amounts that includes an increase in the health insurance premium. Staff's adjustment is \$2,375, whereas the Company's adjustment is \$3,226. Staff's adjustment is adopted. Both the Staff and the Company propose to reduce office supplies expense. Staff capitalized a radio, a computer and a printer with a sheet feeder that was incorrectly expensed during the test year. Therefore, the Staff's adjustment of (\$8,682) is more accurate than the Company's adjustment of (\$7,292), and the Staff's position is therefore adopted.

The Staff and the Company both propose to increase seminars and training expense. Staff's adjustment is based on an analysis of the 1991 expenses for wastewater operator classes. Therefore, Staff's adjustment of \$432 is adopted, rather than the Company's

proposed adjustment of \$500. The Staff and the Company propose to increase telephone expense. The Company has added a mobile telephone to its operations. The Staff's adjustment is based on an eight-month analysis of the 1991 invoices relating to this addition. Therefore, this Commission believes that the Staff's adjustment of \$419 should be adopted rather than the Company's proposed adjustment of \$376.

The Company proposes to increase small tools expense based on estimated increases. The Staff could not verify the Company's proposed adjustment of \$258, therefore, this proposed adjustment is denied. The Staff proposes to decrease Water and Sewer Tap-On Expense-Equipment. Staff capitalized a backhoe lease in accordance with generally accepted accounting principles, whereas the Company expensed the lease payments on such backhoe. For this reason, the Staff's adjustment of (\$15,845) is adopted and not the Company's \$0 proposed adjustment. Both Staff and the Company proposed to restate office machine rental expense to reflect current charges. Both propose an adjustment of (\$490). This adjustment is adopted.

Staff proposes to remove tap fees collected during the test year from operating revenue in accordance with Commission procedures. Such tap fees were booked as revenue by the Company. The Commission believes that this procedure is reasonable and, therefore, adopts the Staff's adjustment of (\$33,175). The Staff also proposes to remove availability fees collected during the test year from operating revenue in accordance with Commission holdings in past proceedings that availability fees are not a Commission

regulated revenue. Such availability fees were booked as revenue by the Company. Staff's adjustment of (\$23,144) is adopted. Staff proposes to remove late charge revenue associated with availability fees from operating revenue. Staff's proposal of (\$914) adjustment is adopted. Both the Staff and the Company proposed to increase the levels of salaries. Staff's adjustment is based on current wage and salary rates. The Company's adjustment includes estimates of future salary levels. Therefore, Staff's adjustment of \$2,172 to operating and maintenance expenses and \$1,140 to general expenses is adopted rather than the Company's proposed adjustment of \$9,080 to O&M expenses and \$1,140 to general expenses.

Both the Staff and the Company propose to adjust FICA and unemployment taxes based on adjusted salaries and wages. Staff's adjustment of \$236 to O&M expenses and \$121 to general expenses is adopted, versus the Company's proposed adjustment of \$882 to O&M expenses and \$109 to general expenses. Staff proposes to allocate a portion of the salaries of several employees out of the expenses of the utility. These salaries relate to construction work performed by CUC, Inc. Therefore, the Commission adopts Staff's adjustment of (\$1,200) to O&M expenses and (\$3,800) to general expenses.

Staff proposes to allocate payroll taxes associated with the allocation of salaries to the construction work performed by CUC, Inc. The Commission believes that this is reasonable and, therefore, adopts Staff's adjustments of (\$121) to O&M expenses and

(\$382) to general expenses. Staff proposes to allocate a portion of office supplies expense, insurance expense and professional fees out of the utility. These expenses relate to construction work performed by CUC, Inc. Staff's proposed adjustment of (\$1,506) is adopted. Staff also proposes to adjust chemical expense by removing any transactions associated with deposits for chlorine cylinders. The Company used estimated expenses in calculating their adjustment. Therefore, the Staff's adjustment of \$195 is adopted rather than the Company's \$444 adjustment.

Staff proposes to adjust depreciation expense using year-end plant levels and rates supplied by the Water and Wastewater Department of the Commission Staff. (\$9,613) is an appropriate adjustment, including an adjustment for excess capacity, and is therefore adopted. Staff proposes to increase depreciation expense for 1990 plant additions. These additions were not included in plant in service due to a bookkeeping error made by the Company. A \$748 adjustment is proposed by Staff as appropriate. Staff proposes to include depreciation expense for the office equipment that was capitalized by the Staff. (Capitalization was also recommended by the Consumer Advocate). Such equipment was expensed by the Company. The depreciation rates used were provided by the Water and Wastewater Department of the Commission Staff. The \$6,310 adjustment proposed by the Staff is therefore adopted. The Staff proposes to include depreciation expense for the backhoe that was capitalized by the Staff. The Company had been expensing the lease payments on the backhoe. Staff depreciated the backhoe over

the life of the lease in accordance with generally accepted accounting principles. Staff's adjustment of \$8,976 is therefore adopted. Because of excess capacity as discussed infra, the Staff proposes to reduce depreciation expense by \$1,862. The rationale for this will be discussed infra and is hereby adopted. Staff also proposes to increase accumulated depreciation by \$9,312 due to excess capacity, to reduce plant in service by \$55,911, and to increase plant held for future use by \$55,911. (Property tax expense was also reduced due to excess capacity by \$1,830. See this Order at 7.) These adjustments are reasonable due to the excess capacity of the systems and are therefore adopted. The Company proposes to annualize tap fees and availability fees based on year-end customers. This adjustment is rejected.

RATE BASE ADJUSTMENTS

Staff and Company also proposed a number of rate base adjustments. Staff proposes to capitalize a leased backhoe. The Company treats the lease as an operating lease on its books. Staff proposes to capitalize this lease based on generally accepted accounting principles concerning leased assets, which is also urged by the Consumer Advocate. The Staff proposes a \$35,903 adjustment to plant in service and a (\$17,952) to accumulated depreciation. This is reasonable and these are accepted. Staff proposes to capitalize assets that were expensed to office supplies expense by the Company. These assets are mostly comprised of computers and computer accessories. The \$31,551 adjustment to plant in service and the (\$12,083) adjustment to accumulated depreciation proposed

by Staff are therefore adopted. Staff proposes to capitalize materials, labor and equipment associated with tap installation. Backhoe was capitalized at an earlier adjustment. Staff's adjustment of \$5,372 is adopted.

Staff and the Consumer Advocate propose to remove from rate base all tap fees collected from inception of the Company through the test year. Such tap fees are considered to be Contributions in Aid of Construction for ratemaking purposes. Staff's adjustment of (\$143,850) is adopted. Staff also proposes to remove from rate base all availability fees collected from inception of the Company through the test year. Also included in Staff's calculation is all late charge revenue associated with the collection of availability fees. Such fees are reduction of rate base for ratemaking purposes. Therefore, the Staff's adjustment of (\$71,674) is adopted.

Staff also proposes to include in rate base the cost of additional plant built during 1990. This plant was not booked correctly by the Company during the test year. Therefore, Staff's adjustment of (\$31,512), including an excess capacity adjustment to plant in service and (\$748) to accumulated depreciation is adopted.

Staff proposes to add plant built during 1990 to Plant Held for Future Use. Such plant is not currently serving any customers. This plant was not booked correctly by the Company during the test year. Therefore, the Staff's adjustment of \$70,195 to Plant Held for Future Use is adopted. (This includes an adjustment for excess capacity.) Staff proposes to adjust cash working capital for

adjustments which correct the books. The formula method as used in past cases was applied by Staff to calculate a (\$3,918) adjustment to cash working capital. This adjustment is adopted. Staff proposes to adjust accumulated depreciation to reflect the depreciation rates supplied by the Water and Wastewater Department. Staff's adjustment of \$69,925 is adopted. (This includes adjustment for excess capacity.) Lastly, Staff proposes to record the effects of the increase. The amounts of \$38,616 to operating revenue and \$331 to taxes other than income is therefore adopted.

The testimony of Philip E. Miller recommends that the Commission make an adjustment for excess capacity. Miller states that, even with the availability customers, the total number of customers is 397 on the system at any one time, whereas, the system has a capacity of 800 customers. The Commission concludes that the Consumer Advocate is correct. After some consideration, it is our judgment that an adjustment for excess capacity of 50.37% is appropriate (49.63% of plant capacity is being used) and must include the following: a plant reduction of \$55,911, an increase to plant held for future use of \$55,911, a depreciation expense reduction of \$1,862, an accumulated depreciation increase of \$9,312 (this adjustment restates net plant to reflect elimination of excess plant from inception), and a property tax expense reduction of \$1,830. The Commission adopts these adjustments furnished by Staff and believes that these adjustments are consistent with past cases and properly reflect the excess capacity in the system. The derivation of these adjustments is explained below.

Excess Capacity Adjustment

To begin computing the excess capacity adjustment, Staff looked at the number of customers, including the availability customers, and the maximum number of customers the present sewer plant can serve. The Company has 397 customers (including those on line and availability) and the sewer plant can presently serve approximately 800 customers. Therefore, 397 divided by 800 equals 49.63%. The plant is currently being used at 49.63% of its capacity which leaves an excess capacity of 50.37%.

Decrease to Sewer Plant

The original cost of the sewer plant as shown on the Company's books was \$111,000. Staff multiplied the \$111,000 by the 50.37% to get the \$55,911 that is not being used. Therefore, Staff reduced Plant in Service by \$55,911.

Decrease to Depreciation Expense

The amount of the sewer plant that is being used is \$55,089 (\$111,000 less \$55,911). Staff calculated yearly depreciation expense on the \$55,089 to be \$1,834 at a yearly rate of 3.33% supplied by the Water and Wastewater Department. Staff compared this yearly expense to the yearly expense for the entire sewer plant ($\$111,000 \times .0333 = \$3,696$) and reduced depreciation expense for the difference of \$1,862 ($\$3,696$ less $\$1,834 = \$1,862$).

Increase to Accumulated Depreciation

Staff calculated what the Accumulated Depreciation should be on the reduced sewer plant for the 5 years it has been in service ($\$1,834$ per year \times 5 years = $\$9,170$). The actual Accumulated

Depreciation for the entire sewer plant is \$18,482 (\$3,696 per year x 5 years = \$18,482.). Therefore, Staff found the difference between \$9,170 and \$18,482 and adjusted the Accumulated Depreciation by \$9,312.

Decrease to Property Tax Expense

The property tax expense on the total sewer plant for the test year was \$3,632.85. Staff multiplied \$3,632.85 by 50.37% to calculate the property tax expense on the portion of the plant that is not being used. Therefore, Staff reduced property tax expense by \$1,830 ($\$3,632.85 \times 50.37\% = \$1,830$).

Increase to Plant Held for Future Use

Staff recommended that the only way to handle the removal of the \$55,911 from Plant in Service was to put that amount into Plant Held for Future Use, since the unused portion of the sewer plant 1) was built to fill specific future utility needs of the Company, 2) is presently useful, albeit on a limited basis and 3) it is in the public interest for the Company to plan for its future needs.

By adding the \$55,911 to Plant Held for Future Use, the Company increases its rate base, but does not get any benefits of depreciation expense on such plant.

The Commission has examined these suggested adjustments and believes that these more accurately reflect a reduction for excess capacity than do the Consumer Advocate's suggested adjustments.

TOTAL INCOME FOR RETURN

The Company's appropriate total income for return for the test year after accounting and pro forma adjustments is (\$78,176). Based upon the above determination concerning the accounting and pro forma adjustments to the Company's revenue and expenses, the Commission concludes that the total income for return is as follows:

TABLE A

Operating Revenues	\$ 58,986
Operating Expenses	\$137,162
Net Operating Income	(\$78,176)
Customer Growth	-0-
Total Income for Return	(\$78,176)

Under the guidelines established in the decisions of Bluefield Water Works and Improvement Company v. The Public Service Commission of West Virginia, 262 U.S. 679 (1923) and Federal Power Commission vs. Hope Natural Gas Company, 320 U.S. 591 (1944). This Commission does not ensure through regulation that a utility will produce net revenues. As the United States Supreme Court noted in Hope, a utility "has no constitutional rights to profits such as are realized or anticipated in highly profitable enterprises or speculative ventures." However, employing fair and enlightened judgment giving consideration to all relevant facts, the Commission should establish rates which will produce revenues "sufficient to assure confidence in the financial soundness of the utility and...that are adequate under efficient and economical management, to maintain and support its credit and enable it to raise some

money necessary for the proper discharge of its public duties."
Bluefield, supra, at 692-693.

There is no statutory authority prescribing the method which this Commission must utilize to determine the lawfulness of the rates of a public utility. For a water and sewer utility whose rate base has been substantially reduced by customer donations, tap fees, Contributions In Aid of Construction and book value in excess of investment, the Commission may decide to use the "operating ratio" and/or "operating margin" method for determining just and reasonable rates. The operating ratio is a percentage obtained by dividing total operating expenses by operating revenues; the operating margin is determined by dividing the net operating income for return by the total operating revenues of the utility. This method was recognized as an acceptable guide for ratemaking purposes in Patton v. The South Carolina Public Service Commission, 280 S.C. 288, 312 S.C.2d 257 (1984).

The Commission concludes that the use of the operating margin is appropriate in this case. Based on the Company's gross revenues for the test year, after accounting and pro forma adjustments under the presently approved schedules, the Company's operating expenses for the test year, after accounting and pro forma adjustments, and customer growth, the Company's present operating margin is as follows:

TABLE B
OPERATING MARGIN

BEFORE RATE INCREASE

Operating Revenues	\$ 58,986
Total Operating Expenses	\$137,162
Net Operating Income	(\$78,176)
Customer Growth	-0-
Total Income for Return	(\$78,176)
Operating Margin (After Interest)	(150.81%)

The Commission is mindful of the standards delineated in the Bluefield decision and of the need to balance the respective interest of the Company and of the Consumer. It is incumbent upon this Commission to consider not only the revenue requirements of the Company, but also the proposed price for the water and sewer service. The quality of the water and sewer service and the effect of the proposed rates upon the consumer. See, Seabrook Island Property Owners Association v. South Carolina Public Service Commission, Opinion No. 23351 (filed February 25, 1991); S.C. Code Ann. §58-5-290 (1976, as amended). The three fundamental criteria of a sound rate structure have been characterized as follows:

...(a) the revenue requirement or financial-need-objective, which takes the form of a fair-return standard with respect to private utility companies; (b) the fair-cost apportionment objective which invokes the principle that the burden of meeting total revenue requirements must be distributed fairly among the beneficiaries of the service; and (c) the optimum-use or customer rationing under which the rates are designed to discourage the wasteful use of public utilities services

while promoting all use that is economically justified in view of the relationships between costs incurred and benefits received. Bonbright, Principles of Public Utility Rates (1961, p. 292).

Based on the consideration enunciated in Bluefield and Seabrook Island and on the fundamental criteria of a sound rate structure as stated in Principles of Public Utility Rates, the Commission determines that the Company should have the opportunity to earn a (51.91%) operating margin for its operations. In order to have reasonable opportunity to earn a (51.91%) operating margin, the Company will need to produce \$97,602 in annual operating revenues.

TABLE C

OPERATING MARGIN

AFTER RATE INCREASE

Operating Revenues	\$ 97,602
Total Operating Expenses	\$137,493
Net Operating Income	(\$39,891)
Customer Growth	-0-
Total Income for Return	(\$39,891)
Operating Margin (After Interest)	(51.91%)

In fashioning rates to give the companies a required amount of operating revenues so that it will have the opportunity to achieve a (51.91%) operating margin, the Commission has carefully considered the concerns of the Company's customers. The Commission concludes that while an increase in rates is necessary, the proposed increase is unreasonable, unjust and inappropriate.

The Company's proposal to increase its basic facility charge

with regard to domestic water and landscape irrigation from \$13.50 to \$18.50 is found to be excessive and unreasonable by the Commission. To design the rates to earn the appropriate level of revenues, the Commission concludes that the residential and irrigation monthly basic facilities charge should remain at \$13.50 per month. However, the Commission finds that an increase from \$1.00 per 1,000 gallons over 2,500 gallons to \$2.85 as a commodity charge is just and reasonable. Also, the proposed increases to the basic facilities charges for commercial water service are hereby denied as being unjust and unreasonable. However, an increase in the commodity charge from \$1.00 per 1,000 gallons to \$2.85 per 1,000 gallons is considered just and reasonable. With regard to water tap-in fees, the proposed increase for 3/4-inch meters is denied and said amount shall remain at \$525. With regard to the water tap-in fee for 1-inch water meters, the present charge of \$700 shall remain.

With regard to sewer service, the proposed increase in the basic facility charge for domestic and commercial sewer of \$13.50 per month to \$18.50 per month is hereby denied. The basic facilities charge shall remain at \$13.50 per month or 100% of the water bill, whichever is greater. With regard to sewer tap-in fees, the proposed increases are hereby denied.

Based on the considerations and reasonings stated above, the Commission hereby approves the rates and charges as stated in this Order and attached hereto as Appendix A as being just and reasonable. The rates and charges approved are designed in such a

manner in which to produce and distribute the necessary revenues to provide the companies the opportunity to earn the approved operating margin.

Accordingly, IT IS ORDERED:

1. That the rates and charges attached on Appendix A are approved for service rendered on or after February 27, 1992.

2. The rate schedule is hereby deemed to be filed with the Commission pursuant to S.C. Code Ann. §58-5-240 (1976, as amended).

IT IS FURTHER ORDERED:

1. That should the approved schedule not be placed into effect until three (3) months after the effective date of this Order, the approved schedules shall not be charged without written permission of the Commission.

2. That the Company maintain its books and records for water and sewer operations in accordance with the NARUC Uniform System of Accounts for Class A and B Water and Sewer Utilities as adopted by this Commission.

3. That this Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:



Chairman

ATTEST:


Executive Director

(SEAL)

APPENDIX A

CUC, INC.
99 SUGAR MILL DR.
CALLAWASSIE ISLAND
RIDGELAND, S. C . 29936
(803) 726-4056 (803) 669-0130

FILED PURSUANT TO DOCKET NO. 91-041-W/S - ORDER NO. 92-114
EFFECTIVE DATE: FEBRUARY 27, 1992

WATER SERVICE

1. Domestic Water
0 - 2,500 Gallons (Minimum Charge)----- \$13.50/month
All over 2,500 Gallons----- \$2.85/1000 Gals.
2. Landscape Irrigation (separately metered)
0 - 2,500 Gallons (Minimum Charge)----- \$13.50/month
All Over 2,500 Gallons----- \$2.85/1000 Gals.
3. Commercial Water Service
0 - 2,500 Gallons (Minimum Charge) 3/4" meter---- \$13.50/month
0 - 2,500 Gallons (Minimum Charge) 1" meter---- \$20.00/month
0 - 2,500 Gallons (Minimum Charge) 1-1/2" meter---- \$20.00/month
0 - 2,500 Gallons (Minimum Charge) 2" meter---- \$30.00/month
All over 2,500 Gallons----- \$2.85/1000 Gals.
4. Water Tap-In Fees
3/4" Water Meter----- \$525.00
1" Water Meter----- \$700.00
Meter tap fees for meters larger than 1" will be negotiated on a
cost plus service basis.

SEWER SERVICE

1. Domestic Sewer
Flat monthly charge of \$13.50 per month or 100% of the water bill,
whichever is greater.
2. Commercial Sewer
Flat monthly charge of \$13.50 per month or 100% of the water bill,
whichever is greater.
3. Sewer Tap-In Fees
3/4" Water Meter----- \$ 625.00
1" Water Meter----- \$ 700.00
1-1/4" Water Meter----- \$ 800.00
1-1/2" Water Meter----- \$ 900.00
2" Water Meter----- \$1000.00